

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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In the Matter of

1993 Annual Access Tariff Filings

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

CC Dkt. No. 93-193

**AMERITECH RESPONSE TO  
DESIGNATED ISSUES FOR INVESTIGATION**

Pursuant to §§ 4(i), 4(j), and 204(a) of the Communications Act of 1934 and the Federal Communications Commission's (Commission) order in the above captioned matter, the Ameritech Operating Companies (Ameritech),<sup>1</sup> respectfully submit the following responses.

**I. Background**

On June 23, 1993, the Commission issued a *Designation Order*<sup>2</sup> which suspended Ameritech's and the other local exchange carriers' (LECs) annual access rates for one day and initiated an investigation into the tariffs of those LECs seeking exogenous cost treatment for the costs associated with the adoption of SFAS No. 106. It also suspended rates for one day and initiated an investigation regarding the method of calculating price cap indices to properly reflect sharing and low-end adjustments. Finally, the *Designation Order* initiated an investigation into a variety of miscellaneous issues, including the reallocation of General Support Facility (GSF) costs and the method of charging for Line

<sup>1</sup> The Ameritech Operating Companies are: Illinois Bell Telephone Company, Indiana Bell Telephone Co., Inc., Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc.

<sup>2</sup> 1993 Annual Access Tariff Filings, CC Docket No. 93-193, DA 93-762. 8 FCC Rcd. (1993) (*Designation Order*).

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Information Database (LIDB) queries.<sup>3</sup> In the *Designation Order*, the Commission requires that LECs file their response to the Commission's questions on July 27, 1993.

## II. Direct Case

- A. Have the LECs borne their burden of demonstrating that implementing SFAS No. 106 results in an exogenous cost change for the TBO under the Commission's price cap rules?

Yes. Ameritech has demonstrated in both the direct case on OPEBs and Transmittal No. 702, that at a minimum the Commission should grant exogenous cost treatment for those incremental costs associated with the implementation of SFAS No. 106 for existing retired employees. In this regard, Ameritech has shown that it does not control the accrual of the transitional benefit obligation (TBO) for current retirees. Under SFAS No. 106, Ameritech is required to estimate the costs of offering benefits to these current retirees in the future and accrue for those costs today.

The question of whether Ameritech retains the technical legal authority to change or modify these benefit plans should not determine whether exogenous cost treatment is granted. In particular, the Commission should recognize that the Financial Standards Accounting Board (FASB) in adopting SFAS No. 106 found that accrual accounting for those costs was appropriate based on the historical and anticipated obligations of the company. FASB did not find that the definition of financial liability was dependent on the legal status of an obligation.

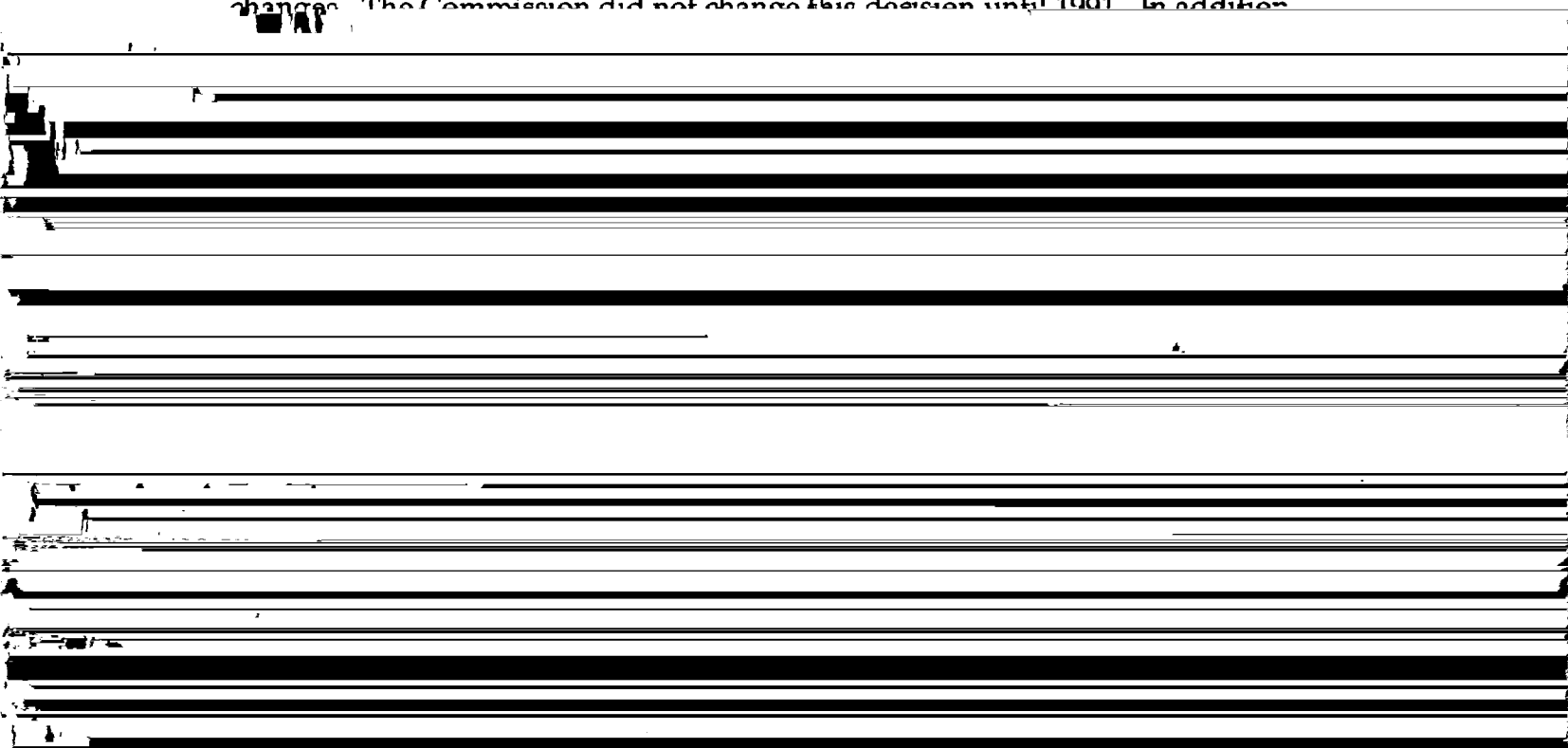
More importantly, the Commission must recognize that Ameritech does not have unlimited power to reduce the portion of the TBO for which it now seeks exogenous cost treatment. In this regard, Attachment 1 shows that the majority of Ameritech's current retirees retired between the ages of 55 and 65

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<sup>3</sup> *Designation Order* at ¶3.

years of age after approximately 30 to 40 years of service with the company.<sup>4</sup> After having worked for Ameritech for 30 to 40 years during which these types of benefits were provided to retirees, the current retirees have certain expectations that such benefits will continue. Clearly, Ameritech must take into account the significant ethics, labor and public relations impacts that rescission of these benefits would have on the current retirees as well as Ameritech's current workforce.<sup>5</sup> Such a measure would certainly result in myriad lawsuits from current retirees, and risk Ameritech's current workforce as current employees reevaluate the benefits/rewards of working for the company.

As for the Commission's concern with regard to the double counting of these costs,<sup>6</sup> Ameritech addressed these issues in its Description and Justification (D&J) and Opposition to Petitions to Reject Transmittal No. 702.<sup>7</sup> Specifically, Ameritech noted that investors could not have required a greater rate of return for SFAS No. 106 costs in September, 1990; because the Commission at that time indicated that it would grant exogenous cost treatment for all mandatory GAAP changes. The Commission did not change this decision until 1991. In addition



inclusion of VEBA trusts is not applicable to Ameritech's request for exogenous treatment. Ameritech requests exogenous treatment for only that portion of the TBO associated with current retirees.<sup>8</sup> Therefore, VEBA trusts which recognize deferred compensation for active employees do not effect this TBO amount. Consequently, at a minimum, the Commission should grant exogenous cost treatment to the TBO costs associated with current retirees.

B. To what category or categories should the LIDB per query charges be assigned?

In the *Designation Order*, the Commission noted that LECs placed LIDB service in the traffic sensitive price cap basket for the first time in their 1993 annual tariff filings.<sup>9</sup> LIDB was just included under price caps in the 1993 filing because it was the first annual filing following the completion of the base year in which LIDB was introduced. In the *Designation Order*,<sup>10</sup> the Commission asks in which basket the LIDB charges should be placed.

The four price cap baskets in which the LIDB charges could be placed are carrier common line, traffic sensitive, special access and interexchange. LIDB service has no relation to carrier common line services, special access services or interexchange services. The LIDB per query charges are comprised of the LIDB Transport charge and the LIDB Validation charge, both of which are required for every query. Since LIDB does include a charge for transport service, the LIDB per query charges should be placed in the local transport service category under the traffic sensitive basket as proposed in Ameritech's annual filing. United was

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<sup>8</sup> *Id.*

<sup>9</sup> *Designation Order* at ¶ 61-62.

<sup>10</sup> *Id.* at ¶ 105.

the only LEC that placed the LIDB charges in local switching. Clearly, there appears to be consensus that local transport is where it belongs.

- C. How should price cap LECs reflect amounts from prior years' sharing or low-end adjustments in computing their rates of return for the current year's sharing and low-end adjustments to price cap indices?

Since this is a proceeding to determine whether LEC rates are lawful, and since Ameritech's rates are governed by the Commission's price cap system, the question should properly be whether Ameritech's treatment of prior year's sharing in calculating the current year's sharing adjustment to its price cap indices violated the Commission's rules. The answer is no.

Ameritech has consistently calculated its sharing obligations in full compliance with the Commission's rules and orders. Ameritech reduced its PCIs by approximately \$9.1 million in 1992. The sharing amount was calculated using the Commission's price cap sharing formula as applied to Ameritech's 1991 earnings. That sharing resulted in reduced revenues and reduced earnings for Ameritech during 1992 (and for the first half of 1993). Then, in determining the sharing amounts to be included in its 1993/94 rates, Ameritech looked at its actual 1992 earnings. Nothing in the Commission's price cap orders or its rules requires Ameritech to adjust its base period earnings in any way prior to calculating the new year's sharing amount.

The Commission's question raises the issue as to whether its price cap rules should be read as requiring the adjustment of those base period earnings, specifically by "adding back" to that year's earnings any amounts "shared" during that period -- in the same manner that refunds were treated under rate of return regulation. As the Commission notes in the *Designation Order*,<sup>11</sup> that issue

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<sup>11</sup>*Designation Order* at para. 32.

is currently the subject of a rulemaking proceeding.<sup>12</sup> Moreover, in the Add Back

- D. Should Bell Atlantic be permitted to exclude end user charge revenues from the common line basket for the purposes of computing sharing obligations?

For the purposes of allocating sharing back to price cap LEC rates, the Commission, in its 1992 Annual Access Order found that sharing allocation based on revenues constituted a reasonable cost causative method. Bell Atlantic excluded End User Common Line (EUCL) revenues from its Common Line basket revenues in determining the sharing amount allocated to the Common Line basket.

Bell Atlantic's methodology is reasonable. Since, EUCL charges are determined outside the price cap mechanism, any sharing amounts allocated to the Common Line basket flow directly to Carrier Common Line (CCL) rates. In other words, EUCL charges are not affected by sharing. If EUCL revenue is included in the sharing allocation method, the customers who pay the CCL charge receive a windfall since the portion of sharing that will be allocated to the CCL charge will be based on both CCL and EUCL revenue. Bell Atlantic's method does not reduce the LEC's total sharing obligation. Rather, it results in a sharing allocation to the CCL charge that is based on CCL revenues and that is not augmented by the revenues from charges that will not receive the benefit of sharing. The Commission should sanction Bell Atlantic's methodology as cost causative and permit other price cap LECs to make modifications to adopt the Bell Atlantic methodology if they so choose.

- E. Have the LECs properly reallocated GSF costs in accordance with the GSF Order?

In its Transmittal No. 717, filed June 17, 1993, Ameritech filed PCI and rate changes to become effective July 1, 1993, to implement the reallocation of general support facility (GSF) costs resulting from the Commission's order in CC Docket

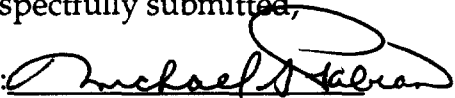
No. 92-222.<sup>16</sup> The effect of the Commission's order was to remove the prior exclusion of the Common Line category as one to which GSF costs are allocated by Part 69 of the Commission's rules. The result is a straightforward reallocation of those costs based on investment and expenses in all interstate rate categories. Included in this filing as Attachment 3 is the Description and Justification and associated Exhibit 19 from Ameritech's Transmittal No. 717 demonstrating how GSF costs were reallocated in compliance with Part 69 as modified.

### III. Conclusion

Based on the foregoing, Ameritech has demonstrated that its rates are just and reasonable. Therefore, the Commission should dismiss the suspension and accounting order, and allow the filed rates to become effective.

Respectfully submitted,

By:

  
Barbara J. Kern  
Michael S. Pabian

Attorneys for the Ameritech  
Operating Companies

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(708) 248-6077

Date: July 27, 1993

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<sup>16</sup>In the Matter of Amendment of the Part 69 Allocation of General Support Facility Costs, CC Docket No. 92-222, Report and Order, FCC 93-238 (released May 19, 1993) ("GSF Order").

# **ATTACHMENT 1**

CURRENT AGES OF RETIREES

<u>Current Age</u>	<u>Total</u>
Under 50	76
50-54	1,521
55-59	4,702
60-64	9,049
65-69	11,062
70-74	7,692
75-79	4,340
80-84	4,326
85-89	2,210
90 and over	680
Total	45,658
Total Under Age 65	15,348
Total Age 65 and Over	30,310

Notes: "Current Age" is age as of December 31, 1990.

"Retirees" includes all service pensioners (or their surviving spouses), including those who elected lump sum payments and those who are or were disabled and are now receiving payments from the pensions trusts.

Source: Data provided to the actuary as of December 31, 1990.

## CURRENT SURVIVING RETIREES

AGE AT DATE OF RETIREMENT

<u>Age</u>	<u>Number</u>
Under 45	14
45	1
46	34
47	106
48	438
49	560
50	1,264
51	1,272
52	1,499
53	1,800
54	2,148
55	5,002
56	3,250
57	3,310
58	3,243
59	3,238
60	3,424
61	2,974
62	4,571
63	1,953
64	1,500
65	3,867
66	93
67	42
68	26
69	10
Over 69	19
Total	45,658

Source: Data provided to the actuary as of December 31, 1990.

**CURRENT SURVIVING RETIREES**  
**SERVICE AT DATE OF RETIREMENT**

<u>Years of Service</u>	<u>Number</u>
Under 10	25
10	50
11	57
12	41
13	55
14	63
15	122
16	113
17	108
18	116
19	160
20	1,591
21	803
22	700
23	681
24	605
25	1,368
26	1,146
27	1,171
28	1,275
29	1,289
30	3,413
31	2,470
32	2,542
33	2,800
34	3,065
35	3,311
36	3,018
37	2,452
38	1,949
39	1,507
40	1,955
41	1,658
42	1,186
43	725
44	519
Over 44	1,349
Total	45,658

**Source:** Data provided to the actuary as of December 31, 1990.

## **ATTACHMENT 2**

**AMERITECH**

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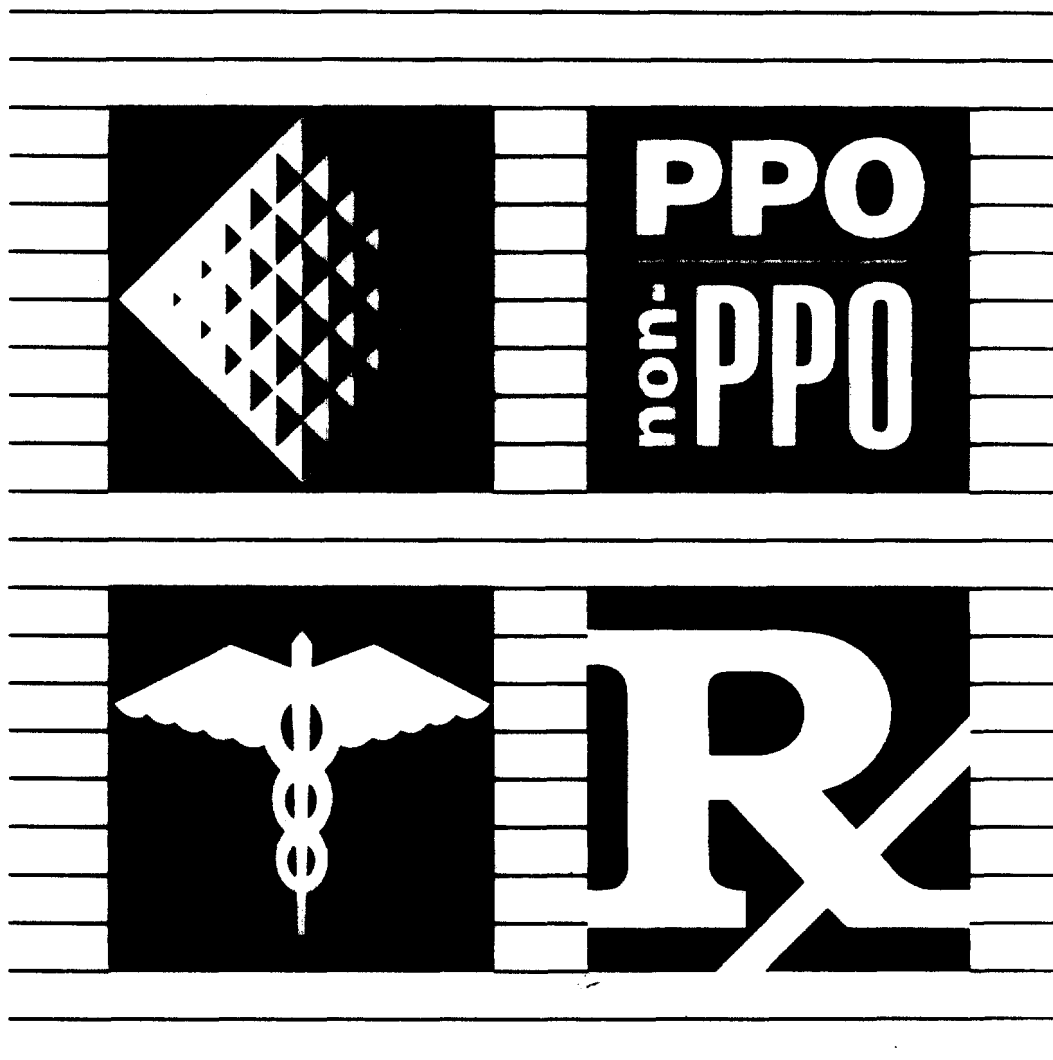
# **Comprehensive Health Care Plan**

## **Summary Plan Description**

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### **Featuring**

- **Health Care Network (HCN) Provisions**
- **Preferred Provider Option (PPO/Non-PPO) Provisions**



Let's say they are covered by a health care network, and Dave's wife saw her PCP, who arranged her hospital admission. Since these would be in-network services, Dave and his wife would be responsible only for the \$60 hospital admission co-payment; they would receive \$140 from the plan.

Benefits available under the HCN	\$940 (\$1,000 - \$60)
Benefits available under the primary plan	<u>800</u>
Amount reimbursed from the CHCP	\$140

If they were covered by the PPO and Dave's wife saw a non-PPO provider, they would receive an additional \$100 from the plan, assuming she had already met her non-PPO deductible.

Benefits available under PPO/non-PPO	\$900
Benefits available under the primary plan	<u>800</u>
Amount reimbursed from the CHCP	\$100

On the other hand, if the other plan has equal or greater benefits, this plan will not provide additional benefits. The Comprehensive Health Care Plan requires that you provide the Company with current information on other health care coverage you have. Otherwise, payments from this plan will be delayed or denied.

If your spouse is also employed by an Ameritech company, and covered by the Comprehensive Health Care Plan, either you or your spouse should enroll all your family members. This ensures that the family deductible is applied to your claims and will save you from paying needless out-of-pocket expenses.

If you are injured or disabled by the negligent or wrongful act or omission of another person, that person is usually liable for any medical or disability costs that may result. However, collecting from this person may take a long time. The plan will reimburse you for these medical expenses, but reserves the right to seek repayment of those expenses from the responsible person.

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## Terminating the Plan

The Company expects to continue this plan indefinitely. However, it reserves the right to amend or terminate the plan at any time with respect to retirees, employees, and their dependents.

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## Funding of the Plan

The Comprehensive Health Care Plan is a self-insured plan. As such, the Company reimburses the claims processor(s) for the cost of claims and pays an administrative fee for this service. Expenses for the Comprehensive Health Care Plan for active employees are paid from Company operating expenses.

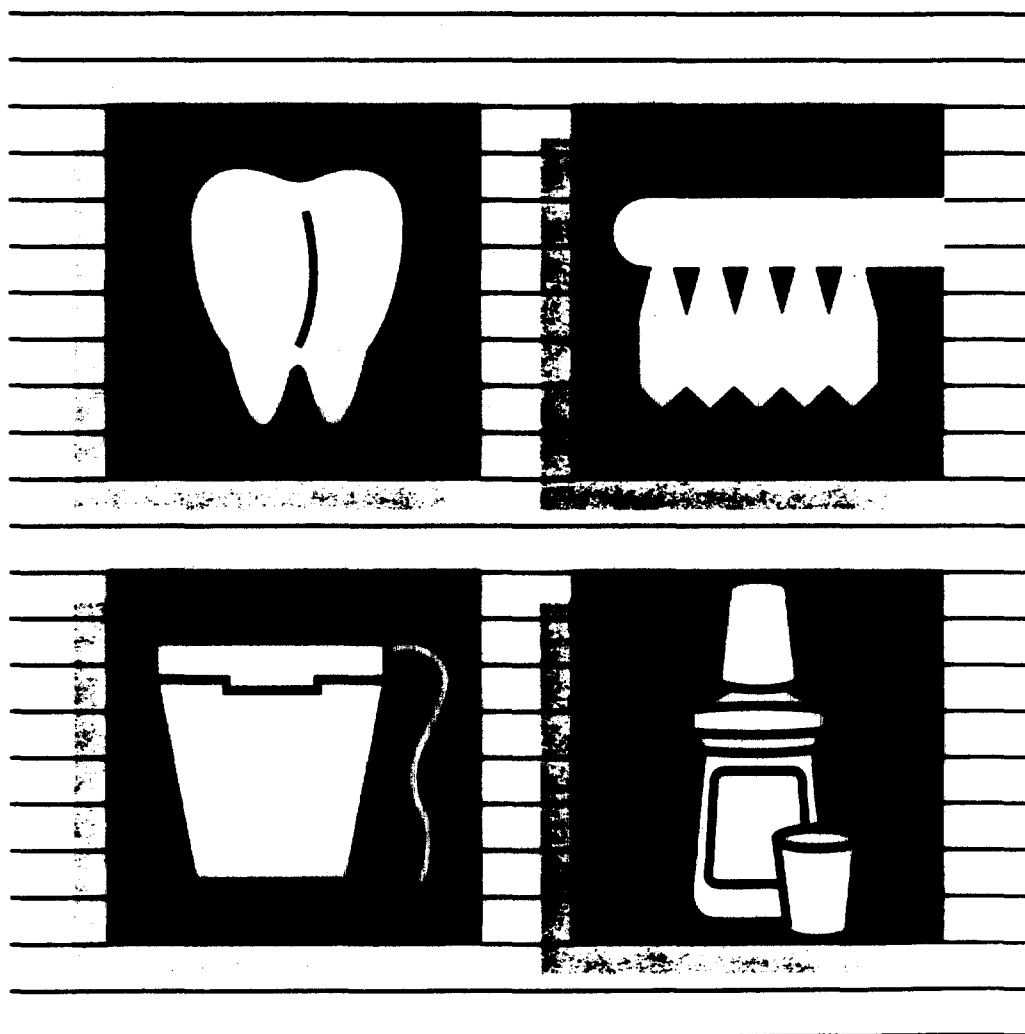
Expenses for retired employees are paid from the Voluntary Employee Benefits Association (VEBA) Trust, which is funded from Company operating expenses, and the Retiree Medical Assurance Plan (RMAP), which may be funded by retiree contributions.



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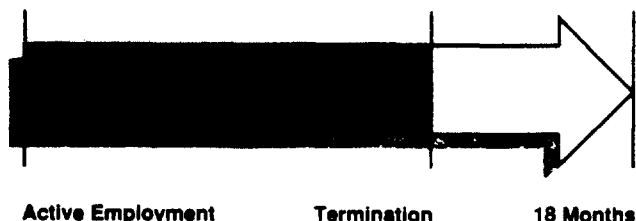
# Ameritech Dental Expense Plan

## Summary Plan Description



## COBRA (Consolidated Omnibus Budget Reconciliation Act)

## Extended Coverage Beyond Active Employment



Legislation adopted January 1, 1987 allows you to continue your Dental Expense Plan coverage for yourself and your covered dependents for up to 18 months if your coverage ends because:

- Your employment ends (except if you were terminated for gross misconduct); or
- You are no longer eligible for coverage because of a reduction in your work hours.

**You can continue Dental Expense Plan coverage for your eligible dependents up to 36 months if their coverage ends because of:**

- Your death;
- Your divorce or legal separation; or
- Your child no longer qualifies for dependent coverage under the plan.

**It is your or your dependent's responsibility to inform the Benefit Office as soon as possible if any of these events occur, but no later than 60 days after the effective date of the event in order to qualify for COBRA rights.**

**If you want to continue your or your dependent's dental coverage, you will be required to pay the full cost of the coverage plus a 2% administrative fee.**

To elect continued coverage, contact the Benefit Office for an election form and information about the cost of coverage or payment method. You must elect to continue your coverage within 60 days after the coverage under the plan has ended or the election form is received, whichever is later.

**You have 45 days after you elect continued coverage to pay any back premiums owed to avoid a gap in coverage.**

**Continuation coverage will stop before the end of the indicated time period if:**

- You or your dependents become covered under another group dental plan;
- The required premiums are not paid; or
- The Company terminates all group dental plans.

## Terminating the Plan

The Company expects to continue this plan indefinitely. However, it reserves the right to amend or terminate the plan at any time with respect to retirees, employees and their dependents. Amendments and termination of the plan would be subject to any applicable collective bargaining agreements with respect to employees and their dependents.

## Funding of the Plan

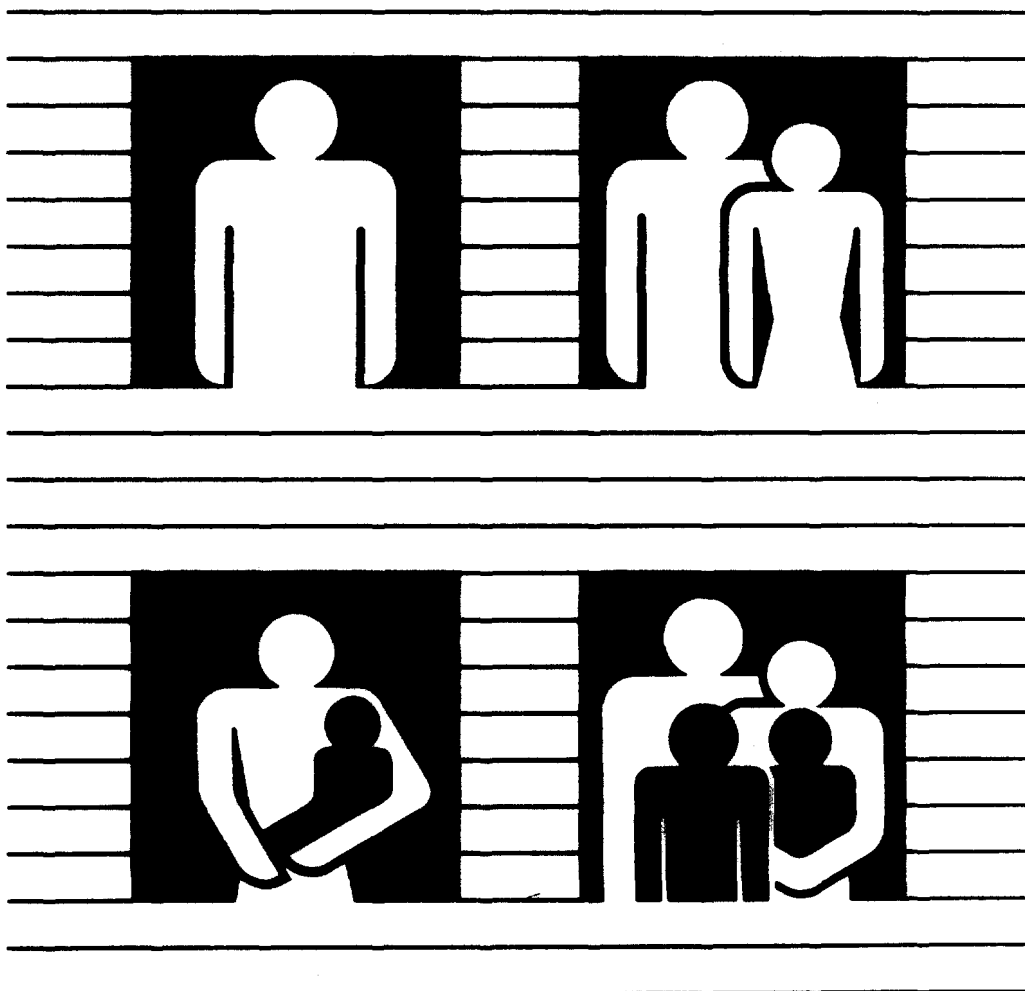
The Dental Expense Plan is a self-insured plan. As such, the Company reimburses the claims processor for the cost of claims and pays an administrative fee for this



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# Ameritech Life Insurance Program

## Summary Plan Description



### **Program Funding**

The Company pays the cost for all Program benefits other than Supplementary Life Insurance and Dependent Life Insurance. Both of these coverages are funded completely by employee contributions.

In the case of all benefits for Basic Life Insurance, Accidental Death and Dismemberment Insurance and Special Accident Insurance, the coverages are fully "combined for experience." Experience is how many claims are made to the Plan. Also, the costs are accumulated from year to year. This means that the costs of these coverages are determined by combining the experience of the three plans.

If in any year there is unfavorable experience for the Dependent Life Plan and favorable experience for the Basic Life, AD&D and Special Accident Plans, the experience on all three will be combined with Dependent Life Insurance to offset the deficit under the Dependent Life Plan. And, if in any future year, there is favorable experience for Dependent Life Insurance and unfavorable experience for Basic Life, AD&D and Special Accident Insurance, any divisible surplus for Dependent Life Insurance may be applied to offset the deficit under Basic Life, AD&D and Special Accident, but only to the extent of any amounts previously transferred to Dependent Life Insurance from those coverages.

### **Program Records**

The Life Insurance Program and all of its records are kept on a calendar year basis beginning January 1 and ending December 31 of each year.

### **Program Continuance**

The Company fully intends to continue the Life Insurance Program indefinitely, but reserves the right to end or amend it according to applicable collective bargaining agreements with respect to employees and their dependents. Should the Program be discontinued, claims based on events preceding the date of discontinuance will be honored.

### **Program Documents**

This information describes only the highlights of the Program. It does not attempt to cover all details. These are contained in the Life Insurance contracts issued by the insurance company which legally governs the operation of the Program. The contract as well as the annual report of the program operations and program description, as filed with the U.S. Department of Labor, are available for review by program participants or their beneficiaries in the Secretary's Office or at your local Benefit Office during normal working hours.

Upon written request, copies of any or all of these documents will be furnished to you or your beneficiary within 30 days. You will be charged a reasonable fee for copies of the documents requested unless federal law requires that the documents be furnished without charge. To obtain copies of these documents, write to:

American Information Technologies Corporation  
30 South Wacker Drive, Suite 3400  
Chicago, IL 60606

## AGREEMENT

This Agreement entered into the 28th day of June, 1992, by and between the ILLINOIS BELL TELEPHONE COMPANY which may be hereinafter referred to as the "Company" and LOCAL UNIONS NO. 165, 336 and 399 of the INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, affiliated with the American Federation of Labor-Congress of Industrial Organizations which may be hereinafter referred to collectively as the "Union" and individually as "Local Union No. ....".

## WITNESSETH THAT

WHEREAS, the Company recognizes the Union as the exclusive bargaining agency for those groups of employees of the Company, respectively, hereinafter specified; and

WHEREAS, the parties desire to establish standards of conditions of employment applicable to such groups of employees, respectively, and under which they shall work for the Company during the tenure of this Agreement, and desire to regulate employment relations between the parties for the purpose of securing harmonious cooperation and the settling by peaceful means of disputes that may arise affecting the employer-employee relationship:

NOW THEREFORE, in consideration of the mutual promises an agreement hereinto entered, the parties agree as follows:

1

‡ Denotes Change

ILLINOIS IBEW OPERATIONS

ARTICLE 24  
Employees' Pension  
and Benefit Plan

No change shall be made in the terms of the existing "Ameritech Pension Plan" and/or "Sickness and Accident Disability Plan" or their successor Plans, which would reduce or diminish the benefits or privileges provided thereunder as they apply to employees represented by this Union without the consent of the Union.

There shall be no negotiations upon changes in the "Plan" during the period of this Agreement, except by mutual agreement. Such negotiations shall not extend more than thirty (30) days after such mutual agreement is reached.

Disputes involving the true intent and meaning of this Article may be submitted to the grievance and arbitration procedures of this contract. Nothing herein shall be construed to subject the "Plan" or its administration or the terms of a proposed change in the "Plan" to such procedures.

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ARTICLES OF AGREEMENT  
between  
ILLINOIS BELL TELEPHONE  
COMPANY  
and  
LOCAL UNIONS 165 and 399  
of the  
INTERNATIONAL BROTHERHOOD  
OF ELECTRICAL WORKERS

This Agreement is made as of June 28, 1992, by and between the ILLINOIS BELL TELEPHONE COMPANY (hereinafter called the "Company") and LOCAL UNIONS 165 and 399 of the INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS (hereinafter called the "Union").

This Agreement shall be binding upon the parties. The parties hereto agree with each other as follows:

ARTICLE 1

REPRESENTATION AND RECOGNITION

- 1.01 The Union, having been certified by the National Labor Relations Board as the bargaining agency for employees in the Comptroller's, Information Services, and Support Services Departments, is hereby recognized by the Company as the exclusive bargaining representative for all such employees, and the Company agrees to so

ILLINOIS IBEW COMPTROLLERS

## ARTICLE 29

## EMPLOYEES' PENSION AND BENEFIT PLAN

29.01 No change shall be made in the terms of the existing "Ameritech Pension Plan" and/or the "Sickness and Accident Disability Plan" or their successor Plans which would reduce or diminish the

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**ARTICLES OF AGREEMENT  
BETWEEN  
ILLINOIS BELL TELEPHONE COMPANY  
AND  
LOCAL 188  
INTERNATIONAL BROTHERHOOD  
OF  
ELECTRICAL WORKERS**

THIS AGREEMENT, made and entered into this 28th day of June, 1992, by and between the Illinois Bell Telephone Company, a corporation, hereinafter referred to as the "Company", and the International Brotherhood of Electrical Workers, Local 188, hereinafter referred to as the "Union".

WHEREAS, the Company hereby recognizes the Union as the sole collective bargaining agent for all non-supervisory employees whose regular reporting location is within the City of Chicago and who are part of the administrative segments listed in Article 1 and whose job titles are listed in Exhibit A. The employees so represented are referred to in

